

Message Text

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PAGE 01 STATE 032206

62

ORIGIN EB-11

INFO OCT-01 NEA-11 IO-14 ISO-00 COME-00 STR-08 AGR-20

CEA-02 CIAE-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03

LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02

SS-20 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02

OMB-01 SAM-01 AF-10 ARA-16 EA-11 EUR-25 /243 R

DRAFTED BY COMMERCE:DSCHLECHTY:EB/OT/GCP:DTMORRISON:JM

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TO AMEMBASSY COLOMBO

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E.O. 11652: N/A

TAGS: GATT, ETRD, CE

SUBJECT: GATT ARTICLE XXVIII RENEGOTIATIONS - SRI LANKA

REFS: A. COLOMBO 230, B. TSC DOC. 73-2 OF JAN. 15,
1973, C. GATT L/3530 OF MAY 26, 1971

1. WE PROPOSE THAT EMBASSY RENEW EFFORTS AT POLICY LEVEL
IN COLOMBO, PRIOR MARCH DEPARTURE OF EMBASSY ECONOMIC
OFFICER, TO REACH AGREEMENT WITH GSL ON ARTICLE XXVIII RE-
NEGOTIATIONS.

2. WE PREPARED CONCLUDE NEGOTIATIONS ON BASIS PRIOR GSL
OFFER OF REBINDINGS ON ITEMS WHERE DUTIES INCREASED -
SUPPLEMENTED BY SELECTED REBINDINGS AT LOWERED TARIFF

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PAGE 02 STATE 032206

LEVELS ON TRADE COVERAGE APPROXIMATING U.S. INTEREST IN BTN

CATEGORIES WHERE GSL BINDINGS INCREASED (APPROXIMATELY ONE MILLION DOLLARS IN TERMS 1968-1969 SRI LANKA IMPORT DATA).

3. SELECTED ITEMS ON WHICH WE PREFER GSL REBINDINGS AT CURRENT LEVELS (REPORTED REF B, PART 3A) ARE BTN CATEGORIES 84.22 (CRANES, HOISTS, LIFTS, PARTS), 84.23 (EARTH MOVING EQUIP, CONVEYING...MINING MACHINERY, PARTS), 84.24 (AGRICULTURAL MACHINERY FOR PREPARING SOIL, PARTS), 84.25 (HARVESTING AND THRESHING MACHINERY, PARTS), 87.01 (TRACTORS), 87.06 (TRACTOR PARTS). IMPORTS THESE ITEMS CLEARLY IMPORTANT FOR SRI LANKA'S DEVELOPMENT AND ACCORDINGLY, WE BELIEVE GSL REBINDINGS AT LOWERED TARIFF

LEVELS FULLY CONSISTENT WITH MEANING OF PART IV OF GATT AS IT APPLIES TO ARTICLE XXVIII RENEGOTIATIONS.

4. IF USEFUL IN CONCLUDING NEGOTIATIONS, USG PREPARED TO CONSIDER GSL OFFER OF REBINDINGS, AT SUITABLY LOWER TARIFF LEVELS, OF ALTERNATIVE BTN CATEGORIES WHERE RECENT TRADE FIGURES SUGGEST THAT BALANCE OF U.S. INTERESTS WOULD BE WELL SERVED.

5. EMBASSY SHOULD MAKE FOLLOWING ADDITIONAL POINTS IN COURSE NEGOTIATIONS AND MAY DRAW UPON THEM IN PREPARING EMBASSY'S FORMAL NOTE IN EFFORTS TO STRENGTHEN EMBASSY REPRESENTATION AND ELICIT OFFICIAL GSL RESPONSE TO U.S. COMPENSATION REQUEST.

A. USG WELCOMES GSL RATIONALIZATION OF CUSTOMS TARIFF.

B. GATT CP'S ON 21 MAY 71 WAIVED PROVISIONS OF PARA 1 ARTICLE I AND PARA 1 OF ART II TO PERMIT GSL MAINTAIN INCREASED TARIFFS PENDING ART 28 NEGOTIATIONS WITH INTERESTED CP'S. WAIVER PROVIDED FOR COMPLETION OF NEGOTIATIONS BEFORE 31 DEC 1971. SINCE NEGOTIATIONS NOT CONCLUDED BY LATTER DATE AND WAIVER NOT RENEWED, GSL HAS MAINTAINED TARIFF INCREASES IN VIOLATION OF GATT OBLIGATIONS SINCE WAIVER EXPIRATION.

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PAGE 03 STATE 032206

C. BALANCE WITH RESPECT TO BINDINGS HAS BEEN UPSET BY GSL PROPOSAL TO INCREASE NUMBER OF TARIFF BINDINGS BUT NOT TO REBIND CORRESPONDING SET OF TARIFF ITEMS AT THEIR NEW LOWER TARIFF LEVELS.

D. THE GSL PROPOSAL (SEE REFTTEL PARA 1B) THAT THE ARTICLE XXVIII RENEGOTIATIONS BE CONCLUDED ON

THE BASIS OF TARIFF CHANGES (INSTEAD OF BINDING LEVELS) IS NOT CONSISTENT WITH THE LETTER AND SPIRIT OF ARTICLE XXVIII:2 WHICH PROVIDES THAT RENEGOTIATIONS "SHALL ENDEAVOR TO MAINTAIN A GENERAL LEVEL OF RECIPROCAL AND MUTUALLY ADVANTAGEOUS CONCESSIONS NOT LESS FAVORABLE THAN THAT PROVIDED FOR IN THIS AGREEMENT (COUNTRY SCHEDULE) PRIOR TO SUCH NEGOTIATIONS."

E. FACT THAT GSL HAS LOWER TARIFFS OR MORE EXTENSIVE GATT SCHEDULE OF BINDINGS THAN OTHER DEVELOPING CONTRACTING PARTIES (REF B, PAGE 3) SHOULD PROVE OF ECONOMIC ADVANTAGE TO SRI LANKA IN TERMS OF MAKING MORE EFFICIENT USE OF DOMESTIC AND

IMPORTED RESOURCES. IT DOES NOT PROVIDE JUSTIFICATION, HOWEVER, FOR ERODING LEVEL OF PRIOR TARIFF CONCESSIONS. LATTER NOT IN GSL INTEREST; NOR IS IT CONSISTENT WITH GSL OBLIGATIONS TO OTHER CP'S RUSH

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